NAVY GRADUATE COMPTROLLERSHIP PROGRAM

THE GEORGE WASHINGTON UNIVERSITY

COMPTROLLERSHIP IN THE NAVY

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Prepared For

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May 1960

Washington, D. C.

TABLE OF CONTENTS

	Page
LIST OF TABLES	iii
LIST OF ILLUSTRATIONS	iv
INTRODUCTION	1
Chapter	
I. COMPTROLLERSHIP TODAY	2
II. COMPTROLLERSHIP AT THE BUREAU AND STATION LEVEL	13
III. SELECTION, ASSIGNMENT, AND TRAINING OF COMPTROLLERS	29
IV. COMPTROLLERSHIP FOR THE FUTURE	39
BIBLIOGRAPHY	48

LIST OF TABLES

Table		Page
1.	Percentage Utilization of Naval Officer Graduates, Navy Graduate Comptrollership Program, George Washington University, by rank	36
2.	Percentage Utilization of Naval Officer Graduates, Navy Graduate Comptrollership Program, George Washington University, by category and rank	37
3.	Percentage Utilization of Naval Officer Graduates, Navy Graduate Comptrollership Program, George Washington University, by graduating class	38

LIST OF ILLUSTRATIONS

Figure		Page
1.	Organization of the Office of the Comotroller, Navy Department	8
2.	Recommended Comptroller Organization and Functions for Navy Bureaus and Offices	14
3.	Recommended Comptroller Organization and Functions for Navy Field Activities	15
4.	Organization Chart, Comptroller Division, Bureau of Naval Personnel	17
5.	Organization Chart, Office of the Comptroller, Bureau of Ships	19
6.	Organization Chart, Assistant Chief for Administration and Comptroller, Bureau of Yards and Docks	21
7.	Organization Chart, Office of the Comptroller, Bureau of Supplies and Accounts	24
8.	Organization Chart, Comptroller Division, Bureau of Medicine and Surgery	26
9.	Organization Chart, Office of the Comptroller, Bureau of Naval Weapons	28

INTRODUCTION

The history of financial management in the Navy is as old as the Navy itself. In the period immediately following World War I the efforts of Congress were directed toward fiscal reform and the first formal element of today's comptrollership was established in the Navy Department.

After World War II Congress recognized the permanency of a large military establishment and directed certain concepts of corporate management be adopted by the Department of Defense. Comptrollership in the Navy was a direct result of this legislation.

In the following pages comptrollership is traced from its birth through its growing pains to the present. Its many forms are observed at bureaus and stations. The men serving as comptrollers are examined and their qualifications and training are reviewed. Finally, some suggestions are proffered in an effort to give strength to financial management in the future.

CHAPTER I

CONTROLLERSHIP TODAY

The seed of modern-day financial management in the Navy was planted in the desire to reform the fiscal operation of the Federal Government following World War I. The Budget and Accounting Act of 1921 established the Bureau of the Budget and required that the head of each executive department appoint a departmental budget officer.

On 5 July 1921, Admiral R. E. Coontz, U. S. N., the Chief of Naval Operations, was appointed as the first Budget Officer of the Navy. In selecting the senior line officer in the Navy to fill this important position, the importance of the budgetary process to the support of the operating forces was emphasized. After two years this departmental function was transferred from the Chief of Naval Operations to the Executive Office of the Secretary of the Navy and a line Rear Admiral was appointed as Budget Officer.

Throughout the years separating World War I and World War II the Navy was small and its activities limited. As a result, financial management was exercised with little difficulty by the Budget Director. On the eve of World War II, with the Navy expanding once again, Congress passed the Act of August 25, 1941, creating the Office of Budget and Reports in

the Office of the Secretary of the Navy.

In an effort to strengthen the wartime fiscal management Secretary of the Navy James Forrestal established the Office of the Fiscal Director, with the incumbent reporting directly to the Secretary. The duties of the new office were set forth in the letter of establishment.

> The Fiscal Director is hereby authorized to (a) formulate, establish, supervise, and coordinate all policies and procedures affecting the finance, budgeting, accounting, and auditing activities of the Navy Department, (b) prescribe the type and content of all accounting and finance records to be maintained by the Bureaus, Boards, and Offices of the Navy Department . . ., and (c) prepare or cause to be prepared reports which will provide for the Navy Department information relative to Navy appropriations and commitments, obligations and expenditures thereof.[1]

The Secretary further provided that Fiscal Divisions would be created in each bureau, with the Director reporting to both the bureau chief and the Fiscal Director for the Department of the Navy.

The duties and responsibilities of both the Office of Budget and Reports and Office of the Fiscal Director for the Department of the Navy were realigned in September of 1947. The Director, Office of Budget and Reports, was directed to report to the Secretary of the Navy and the Fiscal Director was directed to report to the Administrative Assistant to the Secretary of the Navy.

> The function of the Director, Office of Budget and Reports, and the Fiscal Director are:
> (a) The Director, Office of Budget and Reports, will perform the following duties:

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[1] Letter from the Secretary of the Navy to all Bureaus, Boards and Offices, Navy Department, Washington, December 2, 1944.

(1) Analyze budget requirements.
(2) Review and coordinate estimates.
(3) Prescribe budget policies and procedures.
(4) Supervise the preparation and submission of reports to the Bureau of the Budget and the Treasury Department, covering the apportionment of funds and the status of obligations.
(5) Administer personal ceiling programs.
(6) Conduct program audit to insure consonance with policy under which appropriations were obtained.
(7) Represent SecNav in budget matters.

(b) The Fiscal Director will perform the following duties:
(1) Formulate, establish, supervise, and coordinate all policies and procedures affecting the finance, accounting, and auditing activities of the Navy Department.
(2) Prescribe the type and conduct of all accounting and finance records to be maintained by the Bureaus, Boards and Offices of the Navy Department, and the U. S. Marine Corps.
(3) Prepare statistical fiscal status reports.
(4) Arrange for financing inter-departmental programs, administer advance payments, guaranteed loans and progress payments.[2]

Post-war adjustment in the defense organization created problems of management unfamiliar to the pre-war forces and of such magnitude that considerable alterations in existing management structures and creation of additional offices were necessary. Public Law 216, the National Security Act Amendment of 1949, created today's comptrollership in the military establishment.

Title IV of the Act was written for

> Promotion of Economy and Efficiency Through Establishment of Uniform Budgetary and Fiscal Procedures and Organizations.[3]

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[2]Letter from the Secretary of the Navy to all Bureaus, Boards and Offices, Navy Department, Washington, September 1947.

[3]U. S., Congress, National Security Act Amendments of 1949, Public Law 216, 81st Cong., 1st Sess., 1949, Title IV.

Section 401 established the Comptroller of the Department of Defense to:

> (A) advise and assist the Secretary of Defense in performing budgetary and fiscal functions. He shall:
> (1) supervise and direct the preparation of the budget estimates.
> (2) establish and supervise principles, policies, and procedures for:
> (a) organizational and administrative matters in budgeting, accounting, reporting and auditing.
> (b) expenditure and collection of funds administered by the Department of Defense.
> (3) establish uniform terminologies, classifications and procedures.[4]

The Act made provisions for the establishment of Departmental Comptrollers.

> Sec. 402.(a) The Secretary of each military department, subject to the authority, directions and control of the Secretary of Defense, shall cause budgeting, accounting, progress and statistical reporting, internal audit and administrative organization structure and management procedures relating thereto in the department of which he is the head to be organized and conducted in a manner consistent with the operation of the Office of the Comptroller of the Department of Defense.
> (b) There is hereby established in each of the three military departments a Comptroller. . . . There shall, in each military department, also be a Deputy Comptroller. Subject to the authority of the respective departmental Secretaries, the comptrollers of the military departments shall be responsible for all budgeting, accounting, progress and statistical reporting, and internal audit in their respective departments and for the administrative organization, structure and managerial procedures relating thereto.[5]

The secretaries of the military departments were authorized to appoint either civilian or military personnel as comptrollers and to make those comptrollers responsible to either the Secretary, Under Secretary, or an Assistant Secretary

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[4] Ibid., Sec. 401.

[5] Ibid., Sec. 402.

and to permit concurrent responsibility to the senior military officer or his deputy in the department. An additional provision required the appointment of a civilian as deputy comptroller where the departmental comptroller was not a civilian. (Contrary to a persistent belief, no provisions exist requiring a military deputy comptroller if the departmental comptroller is a civilian.)

On 1 June 1950, Secretary of the Navy Francis P. Matthews established the Office of Comptroller and on the same date the Assistant Secretary of the Navy for Air was designated as Comptroller. The new organization was physically created by combining the Office of Budget and Reports and the Office of the Fiscal Director. A civilian was named Deputy Comptroller but was relieved within 48 hours by a line Rear Admiral in apparent consent to arguments of military leaders.

The Secretary charged the Comptroller with the following responsibilities:

> . . . you will be directly responsible to the Secretary of the Navy for all budgeting, accounting, progress and statistical reporting, and internal audit, and for the administrative organization structure and managerial procedures relating thereto. You will advise and assist the Secretary of the Navy in developing and maintaining efficiency and economy in the operation of the Navy, and you will administer and control all funds available to the Navy.[6]

The Secretary of Defense, in September 1950, issued a memorandum to the departmental secretaries setting forth general functional and organizational concepts of comptroller-

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[6]Letter from the Secretary of the Navy to the Assistant Secretary of the Navy for Air, Navy Department, Washington, June 1, 1950.

ship.[7] The Navy Comptroller's Office conformed in all major aspects to the concepts of the Secretary of Defense indicating the Office had been soundly organized initially.

In 1954 Congress enacted Public Law 562 which provided for the appointment of an Assistant Secretary of the Navy for Financial Management and authorized that he be designated as Comptroller by the Secretary. The appointment of the Assistant Secretary of the Navy for Air as Comptroller was revoked and the new office established shortly thereafter.

The Department of Defense Reorganization Act of 1958, Section 8 (b), reduced the number of Assistant Secretaries of the Navy from four to three and the position of the Comptroller in the Secretary's Office was again shifted. A committee was appointed by the Secretary of the Navy to review, among other things, the organization of the Navy Secretariat. In its report the committee recommended

> . . . that the Assistant Secretaries should be designated as follows:
> (a) Assistant Secretary of the Navy (Material).
> (b) Assistant Secretary of the Navy (Financial Management).
> (c) Assistant Secretary of the Navy (Research and Development).[8]

The Secretary of the Navy rejected this recommendation with the comment:

> I propose to maintain the position of the Assistant Secretary of the Navy (Personnel and Reserve Forces) as presently established and not designate an

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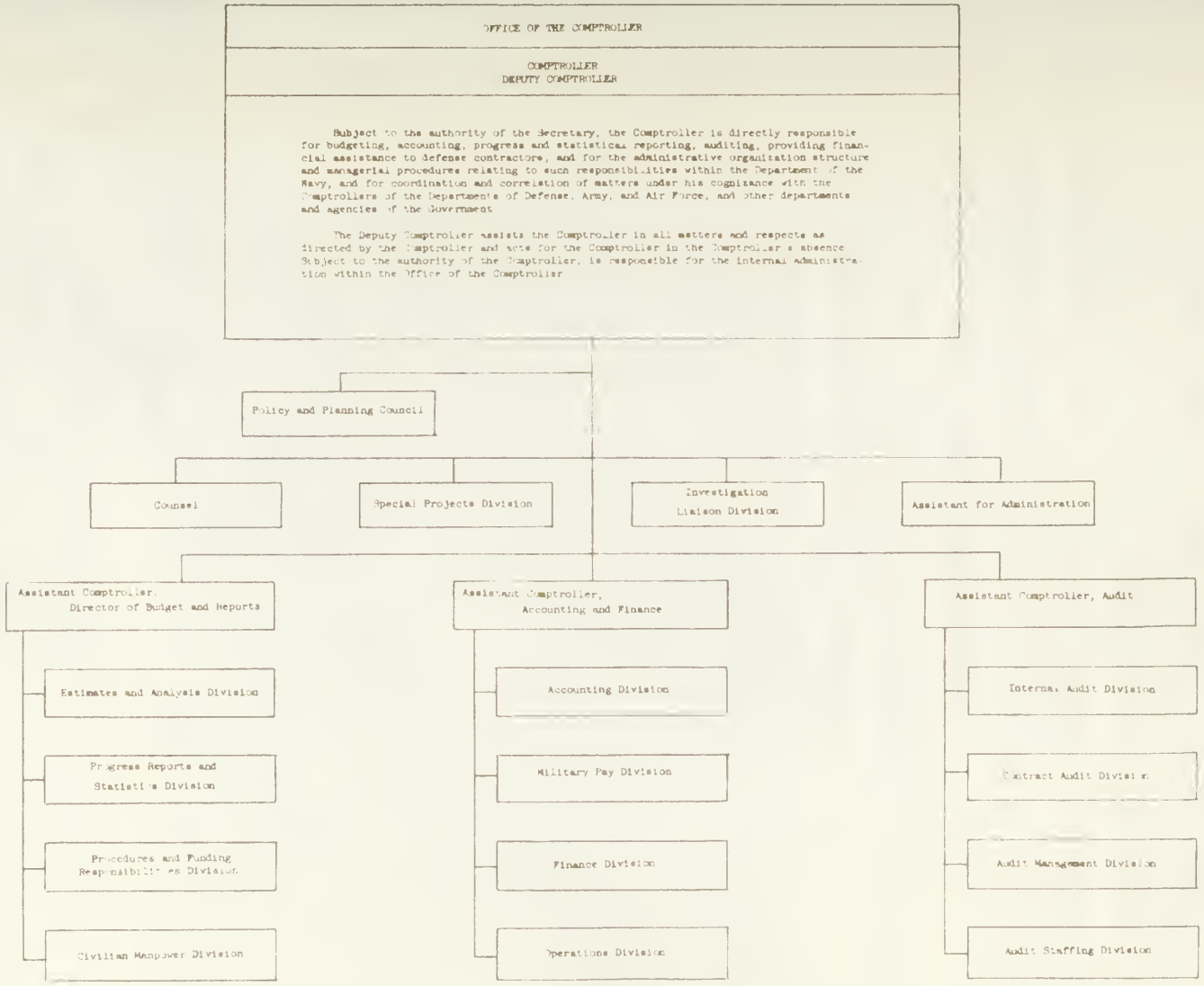
[7] Memorandum from the Secretary of Defense to the Departmental Secretaries, Department of Defense, Washington, September 27, 1950.

[8] Report of the Committee on Organization of the Department of the Navy to the Secretary of the Navy, Navy Department, Washington, January 31, 1959, p. 37.



Date	Approved:	Title of Parent Office	Title of Office:
6 August 1959	G. J. Beaubary	Under Secretary of the Navy	Office of the Comptroller of the Navy

Fig. 1.

> Assistant Secretary of the Navy (Financial Management). The Under Secretary of the Navy will continue to serve as Comptroller, and certain budget assignments will be divided among the assistant secretaries on a functional basis.[9]

The present organization of the Office of Comptroller of the Navy provides for the appointment of the Under Secretary as Comptroller, and a line Rear Admiral as Deputy Comptroller. Assistant Comptrollers are appointed for (a) Budget and Reports, (b) Accounting and Finance, and (c) Audit.

The Charter of the Comptroller of the Navy sets forth his responsibilities and provides:

> The mission of the Comptroller, under the authority of the Secretary of the Navy, is to formulate principles and policies and to prescribe procedures in the areas of budget, accounting, audit, progress and statistical reporting throughout the Department of the Navy to the end that their use will result in meeting the operating and planning requirements of management with efficiency and economy. In general, the Comptroller will function in a staff capacity, except in specific cases when operations are required in the discharge of his statutory responsibilities, or by specific directive of higher authority. Examples of these exceptions are: the conduct of audits, the provision of financial assistance to defense contractors, and the performance of central and regional accounting and disbursing operations.
>
> The Comptroller is directly responsible for budgeting, accounting, progress and statistical reporting, auditing, providing financial assistance to defense contractors, and for the administrative organization structure and managerial procedures relating to such responsibilities within the Department of the Navy.[10]

The Deputy Comptroller is the principal assistant to the Comptroller, acts in the Comptroller's absence, and is

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[9] Navy Organization (Washington: Navy Management Office, Office of the Secretary of the Navy, n.d.), p. 4.

[10] Charter of the Comptroller of the Navy (Washington: Office of the Under Secretary of the Navy, June 12, 1959), p. 2.

responsible for the internal administration of the Office of the Comptroller.[11] The Assistant Comptroller, Director of Budget and Reports, is responsible for the organization and administration of all matters relating to budget, reports, and statistics.[12] The Assistant Comptroller, Accounting and Finance, is responsible for the administrative organization structure and management procedures relating to accounting and finance.[13] The Assistant Comptroller, Audit, develops audit programs, methods, and procedures and is responsible for the organization and administration of all Navy auditing activities.[14]

Within the organization, on a staff level, is the Policy and Planning Council. The Council is made up of the organization heads designated by the Comptroller and is responsible for (a) coordinating internal action, (b) recommending policies and procedures for dealing with other federal agencies, (c) recommending policies and procedures for internal administration, and (d) coordinating policy directives and instructions prepared for publication.[15] Four staff offices have been established to assist the Comptroller consisting of the Counsel, the Special Projects Division, the Investigation Liaison Division, and the Assistant for Administration.

The position of the Comptroller of the Navy in the Naval Organization is similar to the Department of Defense where the Comptroller is an Assistant Secretary. Unlike the Navy, both the Army Comptroller and the Air Force Comptroller report to

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[11] Ibid., p. 4.

[12] Ibid., p. 5.

[13] Ibid., p. 7.

[14] Ibid., p. 9.

[15] Ibid., p. 5.

their Chiefs of Staff and are military officers.

The Air Force established the office of Air Comptroller on 7 June 1946 by combining the Office of Statistical Control, the Budget and Fiscal Office, and the Office of Program Monitoring. By the time Public Law 216 was passed in 1949 the Air Force had extended comptrollership throughout the field establishment. The present Comptroller has the title Deputy Chief of Staff, Comptroller and reports directly to the Air Force Chief of Staff.

In 1948 the office of Army Comptroller was formed with a union of the Budget Division, the Statistics Division, and the Management Division. At a later date the scope of comptrollership was expanded to include the Finance Department, the auditing function, and the review and analysis responsibilities of the programming system. With a program similar to that of the Air Force, the Army established comptrollerships in all the armies and with the passage of Public Law 216 assigned the Comptroller as a staff assistant responsible concurrently to the Deputy Chief of Staff and the Assistant Secretary for Financial Management. The Comptroller of the Army has the status equivalent to that of a Deputy Chief of Staff.

The relationship of the Comptroller of the Navy to the Chief of Naval Operations has never been too clear. The original draft of Public Law 216 provided that the departmental comptroller be responsible to the departmental secretaries, linking the proposed organization to the Constitutional concept of civilian control over the military.[16] Opposition of military

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[16]Frederick C. Mosher, Program Budgeting (Chicago: Public Administration Service, 1954), p. 220.

leaders forced a compromise and the law was enacted providing,

> that nothing herein shall preclude the comptroller from having concurrent responsibility to a Chief of Staff or a Chief of Naval Operations, a Vice Chief of Staff or a Vice Chief of Naval Operations, or a Deputy Chief of Staff or a Deputy Chief of Naval Operations, if the Secretary of the military department concerned should so prescribe.[17]

General Order No. 5 and U. S. Navy Regulations, 1948, both view the Comptroller as a Naval Technical Assistant, "responsible for the direction of his organization in accordance with the order of the Secretary, the Civilian Executive Assistants, and the Chief of Naval Operations, as appropriate."[18] Although an ambiguity exists since the Comptroller is the principal Civilian Executive Assistant to the Secretary, the matter is resolved in practice by the military Deputy Comptroller being responsible to the requirements of the Chief of Naval Operations and the Under Secretary of the Navy. The limited financial resources and extensive operating programs make a close working relationship imperative between the Comptroller and the Chief of Naval Operations. To bind this relationship the Deputy Comptroller is a member of the recently formed Chief of Naval Operations Advisory Board.

In addition to those already reviewed, the responsibilities of the Comptroller of the Navy extend downward to the bureaus and shore stations of the Navy. This important phase of comptrollership is reviewed in the succeeding chapter.

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[17] Public Law 216, op. cit., Sec. 402.

[18] Report of the Committee on Organization, op. cit., p. 48.

CHAPTER II

COMPTROLLERSHIP AT THE BUREAU AND STATION LEVEL

The policy of the Secretary of the Navy is to establish comptroller organizations in all bureaus, offices and major field activities of the Navy.[1] Although bureau chiefs have the authority to establish comptroller organization for activities under their command or management control, the Secretary of the Navy has directed that these organizations be established wherever the size, scope, and complexity of fiscal operations justify the need.[2]

The Comptroller of the Navy has directed that

> the basic functions of comptrollership should be performed by or for every normal activity, regardless of whether the complexities of the financial management function justify the need for a formal comptroller organization.[3]

These functions include: (a) an integrated system for financial management, (b) budgeting, (c) accounting and disbursing, (d) program analysis, (e) progress reports and statistics, and (f) internal review.

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[1] Navy Comptroller Manual (Washington: Navy Department, 1954), Vol. I, par. 012000.

[2] Secretary of the Navy Instruction 5400.4 (Washington: Navy Department, November 18, 1953).

[3] Navy Comptroller Manual, op. cit., par. 012100.

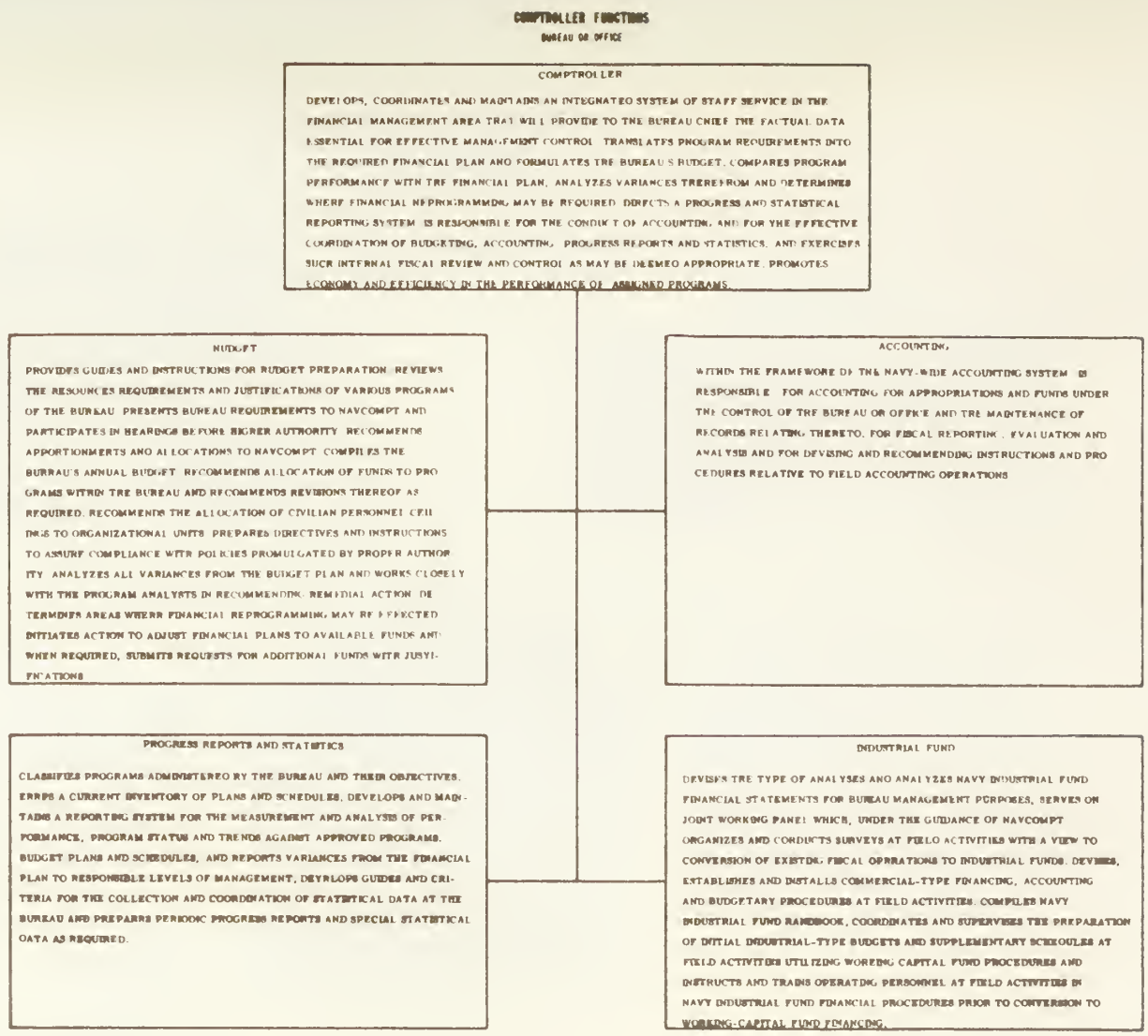

Fig. 2. Recommended comptroller organization and functions for Navy bureaus and offices.

★ COMPTROLLER FUNCTIONS

FIELD ACTIVITY

COMPTROLLER

Develops, coordinates and maintains an integrated system of staff service in the financial management area that will provide to the commanding officer the factual data essential for effective management control; translates program requirements into the required financial plan and formulates the activity's budget; compares program performance with the financial plan, analyzes variances therefrom and determines where financial adjustments may be required; directs a progress and statistical reporting system; is responsible for the conduct of accounting and for the effective coordination of budgeting, accounting, progress reports and statistics, and exercises such internal fiscal review and control as may be deemed appropriate; promotes economy and efficiency in the performance of assigned programs.

INTERNAL REVIEW

Conducts special studies, analyses, and investigations of comptroller areas, primarily on a situational basis, for the purpose of detecting and correcting unsatisfactory conditions; conducts audits of nonappropriated funds; adapts, coordinates, develops, and participates in the installation of financial systems, programs, procedures, and controls; renders advice on matters of organization and staffing within comptroller areas; maintains liaison with and provides assistance to internal auditors of the Comptroller of the Navy assigned to perform continuous or periodic audits.

BUDGETING

Provides guides and instructions for budget preparation; reviews the resources requirements and justifications of the various programs of the command; compiles the command's annual budget; recommends distribution of funds under allotments and project orders to programs within the command and recommends revisions thereof as required; recommends the allocation of civilian personnel ceilings to organizational units; prepares directives and instructions to assure compliance with policies promulgated by proper authority; analyses all variances from the budget plan and works closely with the program analysts in recommending remedial action; recommends areas where financial adjustments and savings may be effected; initiates action to adjust financial plans to available funds and when required, submits requests for additional funds with justifications.

ACCOUNTING AND DISBURSING

Maintains required accounting records, including records of obligations and expenditures against allotments and project orders and accounts receivable; prepares accounting reports for local management and for submission to higher authority; conducts cost accounting operations; maintains plant property account records and stores inventory ledgers and records, and submits all property returns; supervises and conducts timekeeping operations; maintains civilian pay, leave, and retirement records and prepares civilian payrolls, pays civilian payrolls, and when authorized, pays public vouchers and military payrolls and issues savings bonds; prepares and submits disbursing reports and returns.

PROGRESS REPORTS & STATISTICS

Classifies programs administered by the command and their objectives; keeps a current inventory of plans and schedules; develops and maintains a reporting system for the measurements and analysis of performance, program status and trends against approved programs, budget plans and schedules, and reports variances from the financial plan to the comptroller and to responsible levels of command; develops guides and criteria for the collection and coordination of statistical data at the activity and prepares periodic progress reports and special statistical data as required.

Fig. 3. Recommended comptroller organization and functions for Navy field activities.

A further requirement on the bureaus and field activities states that

> where comptroller organizations are established, the comptroller, under the authority of the bureau chief or the commanding officer, must be delegated authority to formulate principles and policies, and to prescribe procedures for all comptroller functions--budgeting, accounting, fiscal, progress and statistical reporting, and internal control.[4]

Within the Navy concept of organization in the performance of these specified duties the Comptroller should report directly to his bureau chief or commanding officer.

The preceding paragraphs have provided an insight into the elements of comptrollership to be employed by the bureaus and field activities and the general form comptrollership should take. In practice the pattern of organization follows this general plan, however, divergencies do exist.

The Bureau of Naval Personnel has established comptrollership in a dual organizational position. The Comptroller is one of the special assistants to the Chief of the Bureau, serving in a purely advisory staff position. He also serves in the line function of Assistant Chief for Finance and under this position the Comptroller Division is established. This division is headed by a Director who has the collateral duty as Deputy Comptroller.

The Division is organized into four branches: (a) Budget Branch, (b) Internal Review and Progress Reports Branch, (c) Accounting and Finance Branch, and (d) Manpower Branch. Functions of the Division are those normally assigned but the appearance of the Manpower Branch in a comptroller organization

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[4] Navy Comptroller Manual, op. cit., par. 012200.

COMPTROLLER DIVISION

DIRECTOR 1/

~~ASSISTANT DIRECTOR~~

BUDGETS FOR AND ADMINISTERS APPROPRIATED FUNDS; ANALYZES PLANNED OBJECTIVES FOR DEVELOPMENT AND SUPPORT OF BUREAU BUDGETS; EVALUATES ACCOMPLISHMENT OF PLANNED OBJECTIVES IN RELATIONSHIP TO AVAILABLE RESOURCES AND RECOMMENDS SUCH ACTIONS AS ARE APPROPRIATE TO EFFECTIVELY CARRY OUT BUREAU MISSION.

LEGAL ASSISTANT 2/

BUDGET BRANCH

FORMULATES AND ADMINISTERS BUREAU POLICIES [illegible] BUDGET MATTERS RELATIVE TO APPROPRIATIONS, TRUST AND SPECIAL FUNDS UNDER THE [illegible] OF THE CHIEF OF NAVAL PERSONNEL; PREPARES BUDGET ESTIMATES; JUSTIFIES REQUIREMENTS BEFORE REVIEWING AUTHORITIES, INCLUDING [illegible]; ANALYZES PROGRAM PLANS, OBLIGATIONS AND STATUS OF COMMITMENTS TO DETERMINE PROGRAM REQUIREMENTS; RECOMMENDS APPORTIONMENT AND ALLOCATION OF FUNDS TO BUREAU PROGRAMS, AND ADMINISTERS APPROVED ALLOCATIONS; CONDUCTS CONTINUING REVIEW OF PERFORMANCE AS MEASURED BY USE OF ALLOTTED FUNDS; ADVISES PROJECT MANAGERS IN THE FULFILLMENT OF THEIR RESPONSIBILITIES; DETERMINES THE LEGAL AVAILABILITY OF, AND THE APPROPRIATION RESPONSIBILITY FOR, SPECIFIC OBJECTS OF EXPENDITURE AND/OR NEW SPECIAL PROGRAMS.

- PLANNING AND PROCESSING SECTION
- [illegible] AND MAINTENANCE SECTION
- [illegible] PERSONNEL SECTION
- MILITARY PERSONNEL SECTION

INTERNAL REVIEW AND PROGRESS REPORTS BRANCH

REEVIEWS RECOMMENDATIONS IN THE AREA OF FINANCIAL MANAGEMENT RESULTING FROM AUDITS, INSPECTIONS AND SURVEYS CONDUCTED BY ORGANIZATIONS EXTERNAL TO THE BUREAU, COORDINATES THEIR IMPLEMENTATION OR SECURES EXEMPTION FROM COMPLIANCE. STUDIES OBLIGATION AND EXPENDITURE DATA, PROJECTS TRENDS, AND PRESENTS FINDINGS BASED THEREON. ASSISTS OTHER OFFICIALS WITHIN THE DIVISION IN THIS REGARD. STUDIES AND ANALYZES BUREAU PROGRAMS AND PROJECTS TO MEASURE THEIR VALUE, PROGRESS AND COST: SUBMITS FINDINGS AND RECOMMENDATIONS COMPILES AND MAINTAINS A MANUAL OF REPORTS AND FORMS MADE AND RECEIVED BY THE COMPTROLLER DIVISION. COORDINATES AND EXECUTES WHEN APPROPRIATE, SPECIAL PROJECTS OF DIVISION AND BUREAU SCOPE.

ACCOUNTING AND FINANCE BRANCH

ORIGINATES AND ADMINISTERS POLICIES AND PROCEDURES FOR BOTH BUREAU AND FIELD ACCOUNTING SYSTEMS (FUND RESOURCES, COST AND PROPERTY); ORIGINATES, ESTABLISHES, AND EVALUATES INTERNAL CONTROL MEASURES AT BUREAU AND FIELD LEVELS: ANALYZES TRENDS AND CHANGES IN APPROPRIATIONS, TRUST AND SPECIAL FUNDS AND MAKES POLICY RECOMMENDATIONS TO FUND ADMINISTRATORS; CONDUCTS AUDITS OF EXPENDITURES AGAINST FUNDS UNDER THE COGNIZANCE OF THE CHIEF OF NAVAL PERSONNEL; NEGOTIATES BUREAU AGREEMENTS FOR FINANCING INTER-AGENCY PROGRAMS; ORIGINATES WHEN NECESSARY, ESTABLISHES, ADMINISTERS AND DIRECTS THE OPERATION OF SYSTEMS FOR FINANCIAL MANAGEMENT AT FIELD ACTIVITIES; DETERMINES LEGALITY OF AND PROCESSES CLAIMS AGAINST BUPERS APPROPRIATIONS PRESENTED BY NAVY ACTIVITIES, OTHER GOVERNMENT DEPARTMENTS, FOREIGN GOVERNMENTS, AND PRIVATE PARTIES, INCLUDING CONTRACTORS; DEVELOPS, ESTABLISHES, AND EVALUATES COMPTROLLERSHIP ORGANIZATIONS, RELATIONSHIPS AND RESPONSIBILITIES AND EFFECTIVENESS AT FIELD ACTIVITIES; PARTICIPATES IN THE DEVELOPMENT OF SYSTEMS FOR ACCOUNTABILITY FOR RECREATION FUNDS (SHIPS STORE PROFITS) PROVIDES TECHNICAL ACCOUNTING ADVISE TO NAVY PURCHASING AND DISBURSING ACTIVITIES RELATIVE TO USE OF BUPERS FUNDS; ACTS AS FINANCIAL MANAGEMENT ADVISER TO KEY BUREAU PERSONNEL AND CHIEF ACCOUNTANT FOR THE CHIEF OF NAVAL PERSONNEL.

- ACCOUNTING SECTION
- FINANCIAL SYSTEMS SECTION

MANPOWER BRANCH

FORMULATES POLICIES AND CRITERIA FOR USE IN DETERMINING CIVILIAN MANPOWER REQUIREMENTS FOR DEPARTMENTAL BUPERS AND ITS FIELD ACTIVITIES; RESPONSIBLE FOR THE CENTRALIZED COORDINATION, REVIEW AND BUDGET PRESENTATION OF THE REQUIREMENTS AND UTILIZATION OF THE TOTAL MANPOWER FOR THE BUREAU AND THE FIELD ACTIVITIES UNDER THE MANAGEMENT OR FINANCIAL CONTROL OF THE CHIEF OF NAVAL PERSONNEL; EVALUATES REQUIREMENTS AND RELATED DATA TO (A) ESTABLISH RELATIVE NUMBERS AND URGENCIES FOR CIVILIAN PERSONNEL AMONG BUPERS PROJECTS AND FIELD ACTIVITIES; AND (B) TO IDENTIFY AREAS REQUIRING STUDY BY PROJECT MANAGERS AND/OR MANAGEMENT SERVICES BR. TO EFFECT IMPROVEMENT IN MANPOWER UTILIZATION; PREPARES AND JUSTIFIES, IN CONJUNCTION WITH PROJECT MANAGERS, MANPOWER NEEDS FOR INCLUSION IN THE ANNUAL BUDGET, OR AS REQUIRED BY HIGHER AUTHORITY; AND ALLOCATES CIVILIAN MANPOWER WITHIN CEILING AND FUND LIMITATIONS TO BUPERS PROJECTS AND ACTIVITIES.

NOTE:

1. Collateral duty as ~~Comptroller and~~ Deputy Comptroller.
2. Collateral duty as head of Internal Review and Progress Reports Branch.

DATE 18 DECEMBER 1959	APPROVED [illegible]	BUREAU OF NAVAL PERSONNEL	COMPTROLLER DIVISION	CHART 32H1

Fig. 4.

is rather unique. Since both line and staff authority are exercised by the Assistant Chief for Finance (otherwise known as Comptroller) civilian manpower ceilings are actually controlled and bureau policies formulated by the Manpower Branch. In a similar manner the Assistant Chief exercises line authority in the administration and execution of the overall financial program. Staff functions are primarily those of budget formulation, program planning, and accounting.

At the major shore activities of the Bureau of Naval Personnel, the Comptroller serves as a staff officer to the commanding officer performing the function of budgeting; limited progress reports and statistics; and logistic, mobilization and operation, and emergency planning. Internal review is not a function of the comptroller and the Supply and Fiscal Officer is responsible for all accounting and disbursing functions.

In the Bureau of Ships the Comptroller serves as a staff officer to the Bureau Chief. He is responsible "for all budgeting, accounting, and fiscal functions of the Bureau, including fiscal and progress reporting, and for all policies, systems, and the procedures related thereto."[5] The Comptroller is assisted in providing management and services by an Administrative Officer, a Budget Division, and an Accounting Division. The Budget Division provides all normal budgetary functions for the Bureau and is responsible for the progress

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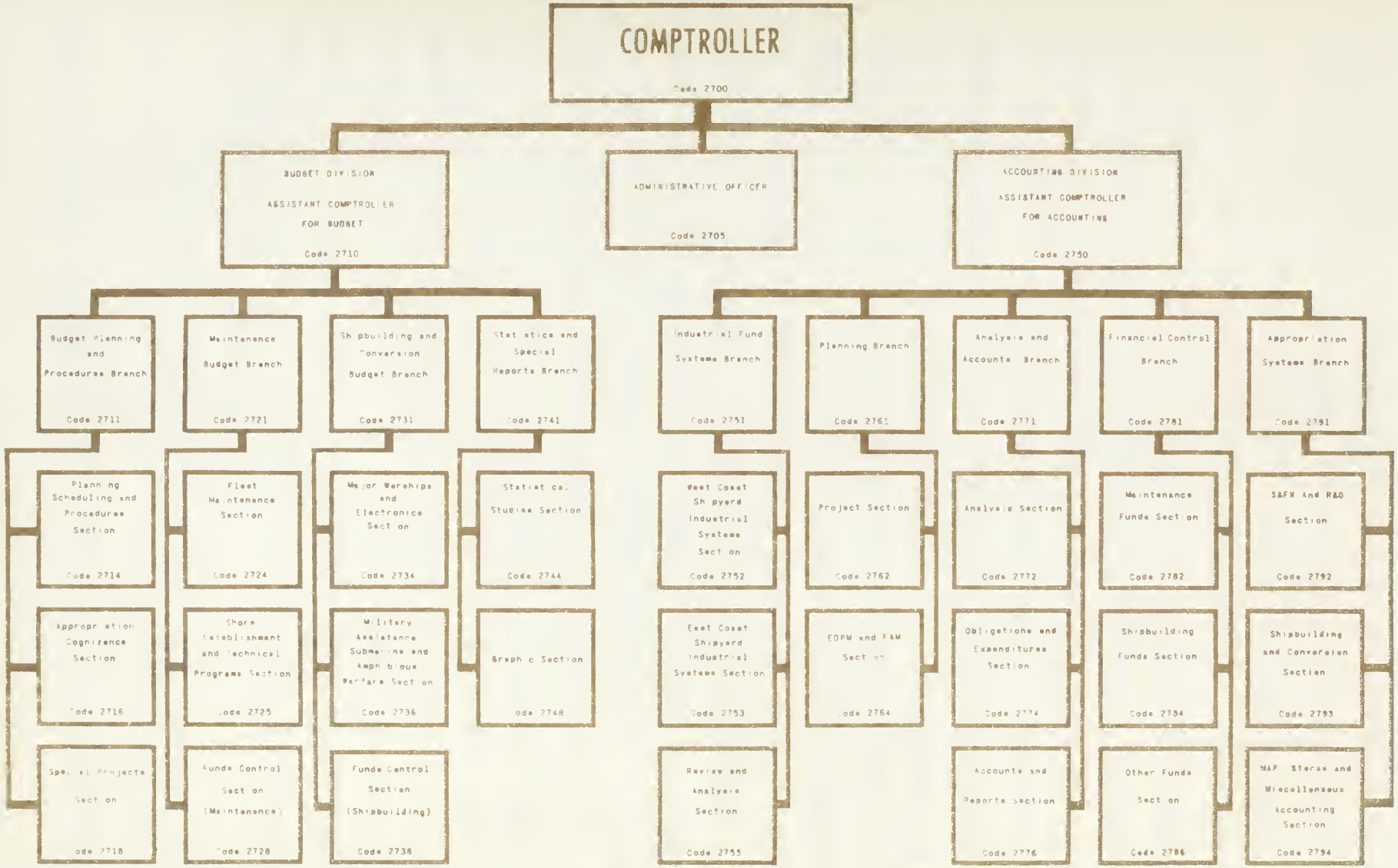
[5] Bureau of Ships Administrative Manual (Washington: Navy Department, 1959), p. 27-1.

BUREAU OF SHIPS

COMPTROLLER DIVISIONS



APPROVED E.H. Bobbitt
DATE 2/3/59

Fig. 5.

reports and statistics. The Accounting Division is charged with the effective fiscal operation of the Bureau, including analyses of Navy Industrial Fund financial statements.

At the shipyard level, Comptroller Departments are organized into four divisions: (a) Internal Review Division, (b) Budget and Statistics Division, (c) Accounting and Disbursing Division, and (d) Administrative Division. These divisions perform all the tasks normally assigned a comptroller department. The Comptroller is the principal advisor and consultant to the Shipyard Commander on all Shipyard financial operations.[6] At present, in several of the shipyards, the Comptroller is also assigned as head of the Planning Department, however, strong consideration is being given to merging most of the functions of the Planning Departments at all shipyards with those of the Comptroller Department and disestablishing the former. Another contemplated reorganization of interest is that of combining the various machine installations of each shipyard and assigning overall operational responsibility to the Comptroller.

The Comptroller of the Bureau of Yards and Docks serves in both a line and staff capacity as the Assistant Chief for Administration and Comptroller. Staff and Divisions assigned to the Assistant Chief include: (a) Management Engineering Staff, (b) Administrative Division, (c) Shore Establishment Division, (d) Management Analysis and Review Division, and (e) Financial Management Division.

The Management Engineering Staff is primarily responsible

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[6]Bureau of Ships, Instruction 5450.14A (Washington: Navy Department, 1959), p. X-1.

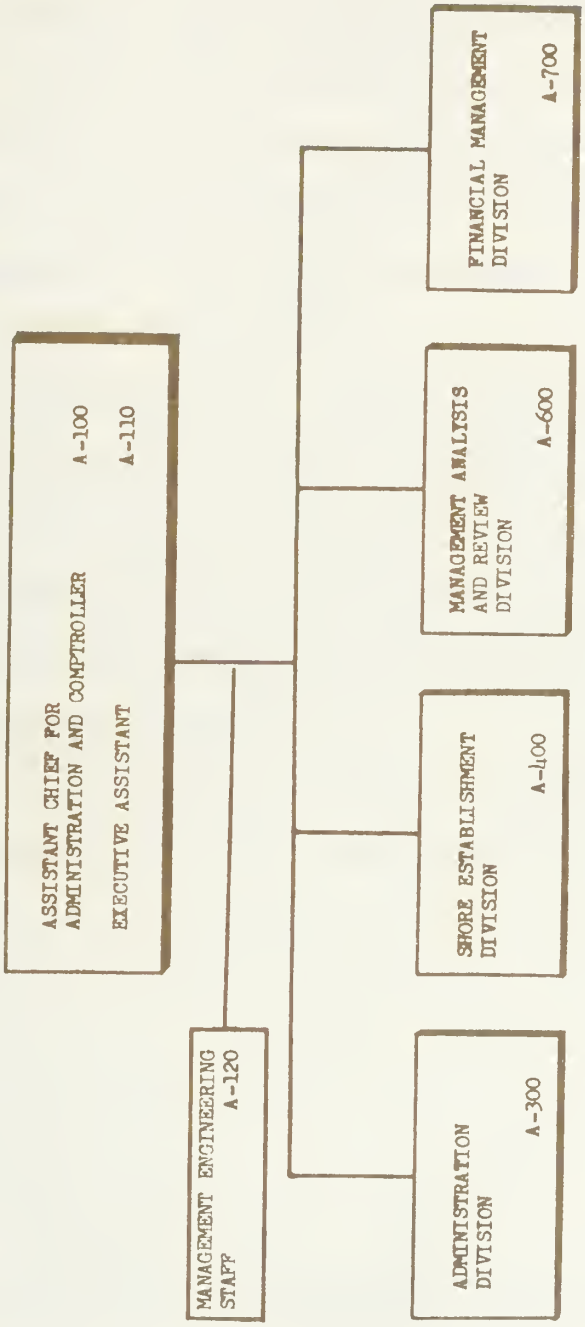

Fig. 6. Comptroller organization,
Bureau of Yards and Docks.

for management programs, standard procedures, and organizational guidelines for the Bureaus and field activities. The major functions of the Administrative Division are to "administer the industrial relations, the publications, directives and reports of management, and the technical information programs of the Bureau and its managed field activities,"[7] and to provide administrative services for the Bureau. The Shore Establishment Division prepares the military construction program, determines assignment of funds, supervises Navy-wide technical programs, and allocates manpower.[8]

The management Analysis and Review Division is responsible for program analysis and operational review, program status, application of Electronic Data Processing, and the Navy Real Property Inventory.[9] Budget formulation and execution plus financial accounting are the principal functions of the Financial Management Division.[10]

At the station level, the same general organizational procedures apply. The Comptroller is also the Administrative Officer and is responsible for: (a) management engineering, (b) office services, (c) industrial relations, and (d) budgeting and accounting. Disbursing functions are assigned to the Supply and Disbursing Department and Financial Branches are located in several of the other Departments.

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[7] Bureau of Yards and Docks Organization and Functions (Washington: Navy Department, 1959), p. III-4.

[8] Ibid., p. III-14.

[9] Ibid., p. III-20.

[10] Ibid., p. III-24.

for additional resources, changes procedures, and institutional modifications for the Bureaus and their activities. The majority of the subsidiaries analysis are to "maximize the industrial capabilities, the qualifications, attributes and number of manpower, and the technical information capacity of the Bureau and its assigned field activities,"[7] and to provide administrative services for the Bureau. The Bureau headquarters operates resources for military construction program, maintenance of roads, operating activities including research, and allocation resources.[8]

The management analysis and review division is responsible for Bureau analysis and management review, manpower review, modification of standards data management, and the management information.[9] Bureau operations and maintenance financial resources are the personnel resources of the financial management activities.[10]

At the district level, the management organization resembles main. The functions is also the subsidiaries offices and is responsible for: (a) management engineering, (b) office services, (c) industrial relations and (d) operations and maintenance. Operations functions and business is the same for industrial relations and standard procedures are identical to those of the Bureau headquarters.

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[7]Bureau of Yards and Docks Organization Manual, Section 1, Chapter 1, Page 1.

[8]Ibid., p. 1-1-1.

[9]Ibid., p. 1-1-2.

[10]Ibid., p. 1-1-4.

The organization of the Bureau of Supplies and Accounts provides for a Comptroller, in a staff capacity, for

> budgetary and bureau type appropriations accounting policies, procedures and administration through coordination of the preparation, justification and execution of BuSandA's budget plan; civilian personnel ceiling control; progress and statistical reporting; Navy Stock Fund and Navy Stock Account; and maintenance of bureau-level cost and appropriations accounts.[11]

In addition to Professional Assistants, a Special Project Staff, and a Program and Field Activity Liaison group, the Comptroller is aided by: (a) a Statistics Division, (b) a Budget and Reports Division, (c) an Accounting Control Division, and (d) a Stock Finance Division.

Major field activities of the Bureau of Supplies and Accounts have a Planning and Comptroller Department, occupying a staff position and reporting directly to the commanding officer. The organization of the department provides for: (a) a Budget Division, (b) a Statistics Division, (c) an Internal Review Division, (d) a Management Planning Division, and (e) a Military Plans Division. Notably missing from the organization is a Fiscal Division. The Bureau of Supplies and Accounts justifies this position by stating that

> the rendition of accounting and disbursing services is considered to be an operational service function to both the parent and other naval activities receiving fiscal support . . . the Fiscal Department is performing a complicated operational type function . . . a comptroller organization can perform its functions more effectively without the distraction of administering this operational function.[12]

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[11] Bureau of Supplies and Accounts Organization Manual (Washington: Navy Department, 1950), p. 54-A.

[12] Bureau of Supplies and Accounts Instruction 5450.55 (Washington: Navy Department, March 4, 1954), p. 2.

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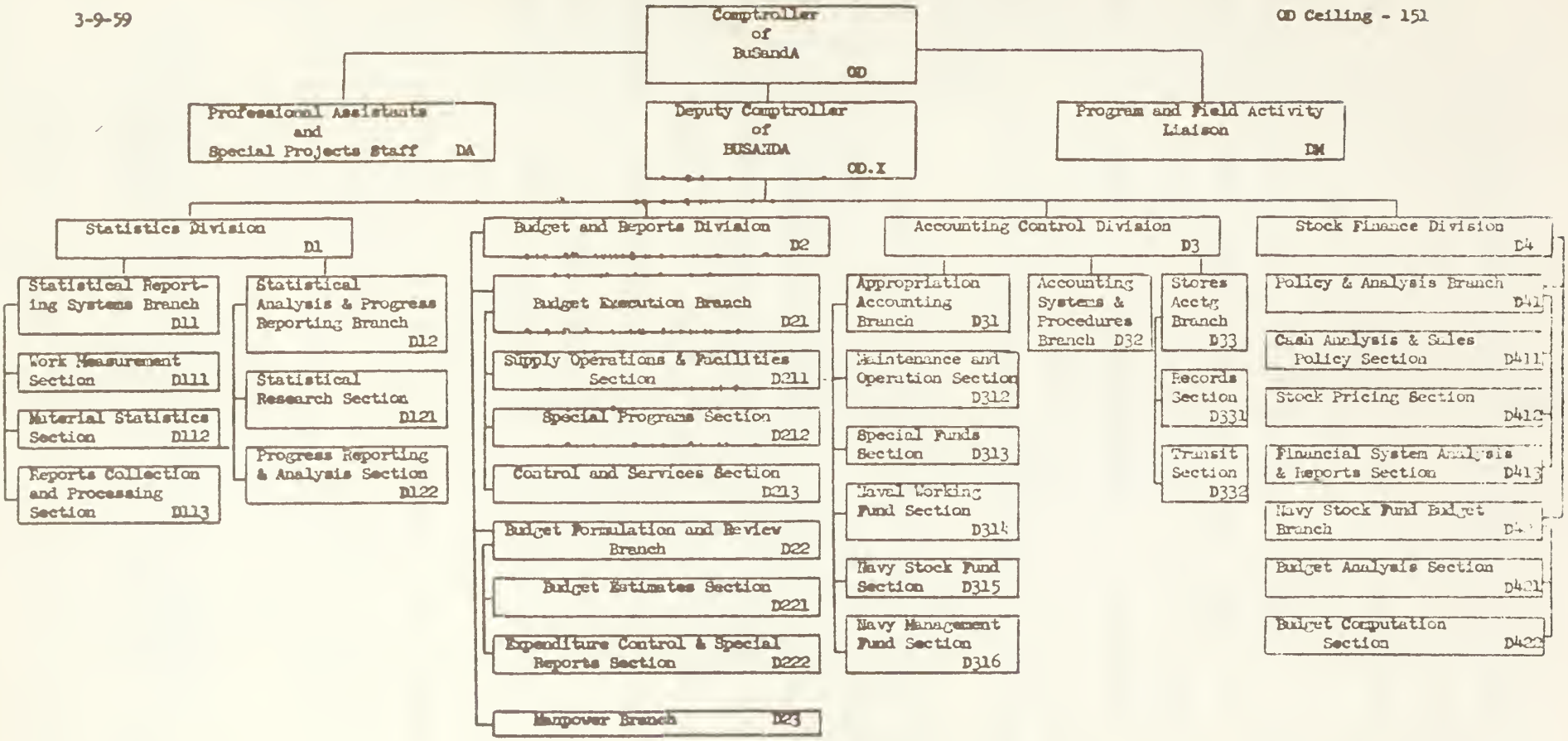

Fig. 7.

The Comptroller of the Bureau of Medicine and Surgery acts in a dual capacity. He is a Special Assistant to the Chief, advising him in all areas of financial management, and the Comptroller is also the Division Director of the Comptroller Division, reporting to the Assistant Chief for Planning and Logistics. The Division is organized into three major areas: (a) Fiscal Systems, (b) Accounting, and (c) Budgeting. All normal functions of comptrollership are provided in the organization but the overall responsibility is not directly to the Chief of the Bureau but to his Assistant for Planning and Logistics.

Naval hospitals perform comptrollership functions but have no designated comptroller. All functions not considered Professional Services are grouped under an Administrative Officer. Included in this group are a Disbursing Division and a Finance Division. Most functions normally assigned to a comptroller are performed by the Finance Division but no avenue exists for the Finance Division Officer to serve as one of the commanding officer's principal staff assistants.

The Chief of the Bureau of Naval Weapons stated in his Management Policy that the new bureau "is a business organization of corporate dimensions."[13] In line with this policy the new organization provides for a Comptroller, reporting to the Bureau Chief. The Comptroller is responsible for

> an integrated financial management system that provides management with data for effective management control of resources, planned, available, utilized for carrying out the Bureau programs; for preparing the Bureau's

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[13]Bureau of Naval Weapons Instruction 5200.2 (Washington: Navy Department, December 30, 1959), p. 1.

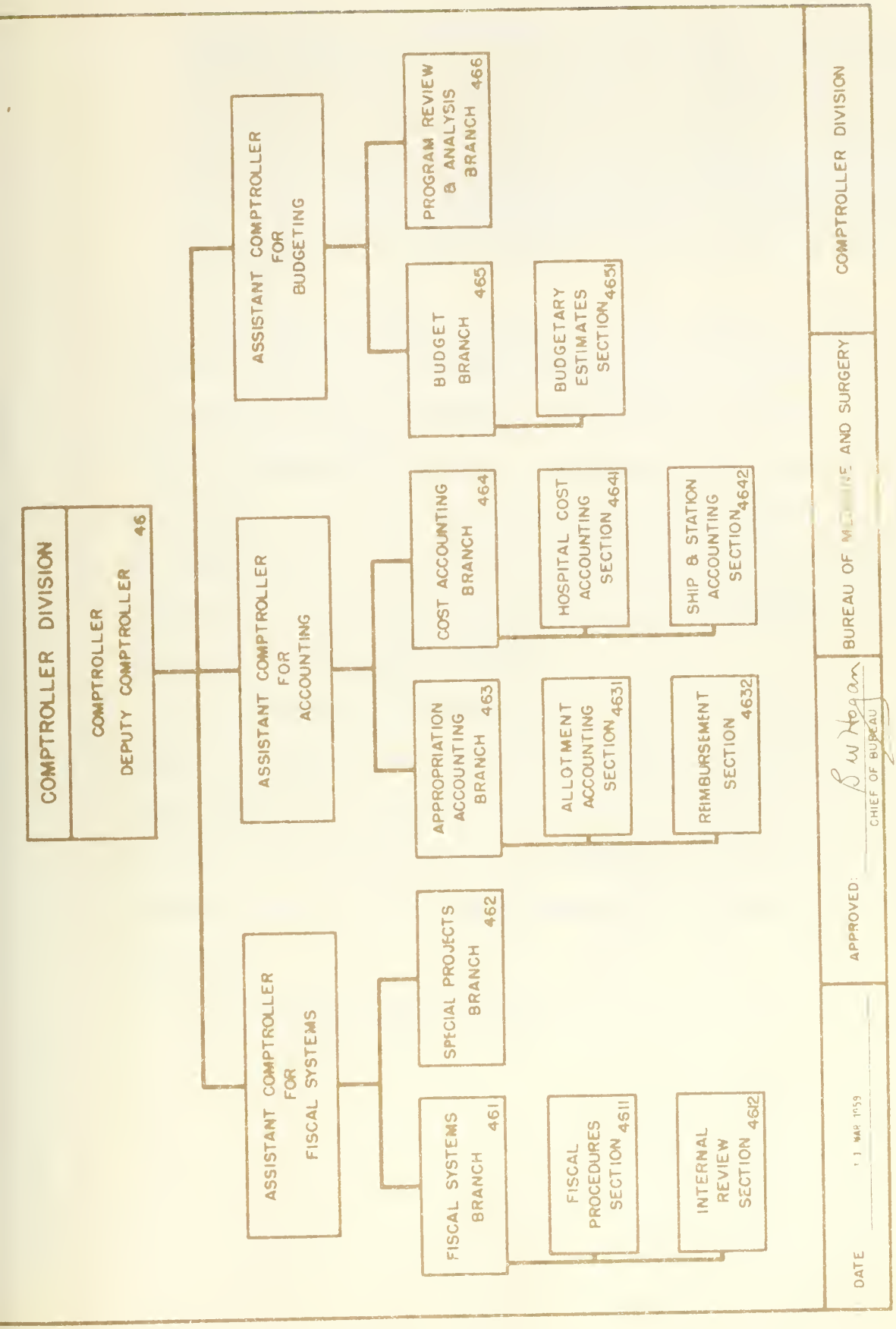
COMPTROLLER DIVISION
COMPTROLLER
DEPUTY COMPTROLLER 46
ASSISTANT COMPTROLLER FOR BUDGETING
ASSISTANT COMPTROLLER FOR ACCOUNTING
ASSISTANT COMPTROLLER FOR FISCAL SYSTEMS
PROGRAM REVIEW & ANALYSIS BRANCH 466
BUDGET BRANCH 465
BUDGETARY ESTIMATES SECTION 4651
COST ACCOUNTING BRANCH 464
HOSPITAL COST ACCOUNTING SECTION 4641
SHIP & STATION ACCOUNTING SECTION 4642
APPROPRIATION ACCOUNTING BRANCH 463
ALLOTMENT ACCOUNTING SECTION 4631
REIMBURSEMENT SECTION 4632
SPECIAL PROJECTS BRANCH 462
FISCAL SYSTEMS BRANCH 461
FISCAL PROCEDURES SECTION 4611
INTERNAL REVIEW SECTION 4612
COMPTROLLER DIVISION
BUREAU OF MEDICINE AND SURGERY
APPROVED:
CHIEF OF BUREAU
DATE
13 MAR 1959

Fig. 8.

C O M P T R O L L E R D I V I S I O N

> budget and participating in the justification of Bureau budgets at all levels of review; for managing allocation of funds and personnel ceilings to support approved programs; for account classification of programs and program elements to provide a meaningful arrangement of segregating and compiling financial data; for insuring compliance with statutory requirements and administrative regulations for appropriations and funds; and for accounting for all appropriations and funds under the control of the Bureau of Naval Weapons.[14]

The Comptroller organization has four special assistants and divisions for (a) financial systems, (b) financial operations, (c) budget, and (d) manpower and station budget. Although the stated responsibilities and organization of the comptroller organization provide for budgeting, this function is performed by the Analysis and Review Section under the Assistant Chief for Program and Management Plans who in turn reports to the Assistant Chief for Program Management.

Although no formal policy has been adopted by this new bureau regarding the organization for comptrollership at the field level, the concepts embraced by both the Bureau of Ordnance and the Bureau of Aeronautics and presently still in effect, provide for a comprehensive and integrated plan of operation.

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[14] *Ibid.*, Encl.(1), p.2.

BUREAU OF NAVAL WEAPONS COMPTROLLER ORGANIZATION

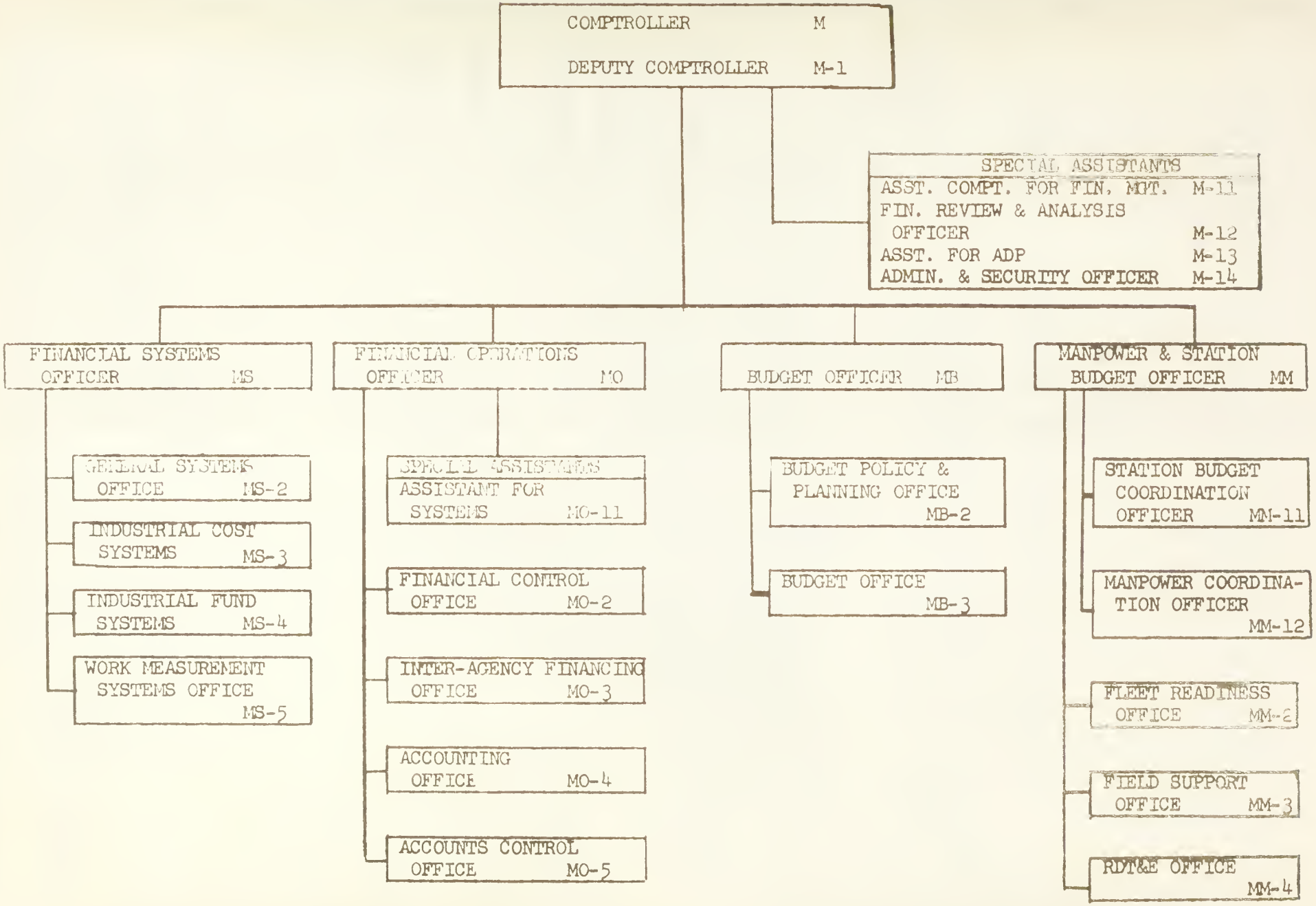

Fig. 9.

CHAPTER III

SELECTION, ASSIGNMENT, AND TRAINING OF COMPTROLLERS

Within the Navy the functions included in the area of comptrollership are broad and diverse. They include, among others, assignments in:

budgeting	audit
fiscal operation	planning and estimating
management control	program evaluation
administration (general)	cost control
internal review	progress coordination

The functional areas within which comptrollership should normally operate are defined as: (a) budget formulation and review, (b) progress reporting and statistics, (c) accounting and finance, and (d) vast reaches of over-all financial management.

These areas have grown in recent years to resemble as closely as possible the generally accepted functional areas of civilian comptrollership which include: accounting; budgeting and budgeting control; internal auditing; reporting, statistics and forecasting; office service functions; tax returns; and legal work in the financial field.[1] The Controller Institute of America clearly defined their concept of the scope and level of comptrollership in the following statement of functions:

> 1. To establish, coordinate, and maintain thorough authorized management, an integrated plan for the control of operations. Such a plan would provide, to the extent required in business cost standards,

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[1]Frederick C. Mosher, Program Budgeting (Chicago: Public Administration Service, 1954), p. 200.

> expense budgets, sales forecasts, profit planning, and programs for capital investments and financing, together with the necessary procedures to effectuate the plan.
> 2. To measure performance against approved operating plans and standards and to report and interpret the results at all levels of management. This function includes the design, installation and maintenance of accounting and cost systems and records, the determination of accounting policy and the compilation of statistical records as required.
> 3. To measure and report on the validity of the objectives of the business and on the effectiveness of its policies, organization structure and procedures in attaining these objectives. This includes consulting with all segments of management responsible for policy or action concerning any phase of the operation of the business as it relates to the performance of this function.
> 4. To report to government agencies, as required, and to supervise all matters relating to taxes.
> 5. To interpret and report on the effect of external influences on the attainment of the objectives of the business. This function includes the continual appraisal of economic and social forces and of governmental influences as they effect the operation of the business.
> 6. To provide protection for the assets of the business. This function includes establishing and maintaining adequate internal control and auditing and assuring proper insurance coverage.[2]

Although certain of these functions are applicable only to civilian organizations, a majority are not only related to, but are an integral part of Navy comptrollership.

After determining "what" the comptroller should be the problem arises of determining what men should fill the job. The Navy Comptroller Manual, in the describing the general qualifications for a comptroller, states that

> the officer or civilian appointed should have broad experience with operating programs and general management responsibilities . . . should have keen analytical ability, be capable of making discriminating judgments, and be able to express concisely and

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[2]Quoted by James L. Pierce in "The Comptrollership Function: A Modern Concept," The Controller, September 1952, pp. 419-22.

effectively his conclusions and recommendations.[3]

In actual practice within the Navy, the criteria for selection of comptroller personnel varies as widely as the comptroller organizations themselves. As noted earlier, the Comptroller of the Navy is a civilian, his Deputy is a line Rear Admiral, and his Assistant Comptrollers civilian and military. At the bureau and station level the staffing is far from uniform.

The Assistant Chief for Finance and Comptroller of the Bureau of Naval Personnel is a line Captain and his Deputy and Director of the Comptroller Division is a civilian. The field activities of the Bureau employ senior line officers as comptrollers and civilians as assistants and branch heads. In comparison, the Comptroller of the Bureau of Ships is a line (EDO) Captain. Shipyard Comptrollers are senior line (EDO) officers generally assisted by civilians. Several shipyards retain the position of Special Assistant to the Comptroller and assign a Supply Corps officer to the billet. However, the position appears to be a slowly dying hold-over from the time when a Fiscal Officer performed the duties now assigned a subdivision of the comptroller organization.

The Assistant Chief for Administration and Comptroller of the Bureau of Yards and Docks and his principal assistants are senior Civil Engineering Corps officers, although, throughout the field establishment the comptrollers are civilians. The Comptroller of the Bureau of Supplies and Accounts and his Deputy

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[3] Navy Comptroller Manual (Washington: Navy Department, 1954), Vol. I, par. 012201 - 3b (1).

are senior Supply Corps officers. The Division Directors are both civilian and military. Field activities' Planning and Comptroller billets are filled by Supply Corps officers.

A civilian is presently the Comptroller of the Bureau of Medicine and Surgery. His Deputy is a Medical Service Corps officer and the principal comptroller type assignments at Naval Hospitals are filled by Medical Service Corps officers. The Comptroller of the Bureau of Weapons is a line Commander (Captain select) and his Deputy and all assistants are civilians. Since the criteria for assignment to comptrollership jobs at field activities is a combination of the policies of the Bureau of Ordnance and the Bureau of Aeronautics, line officers, Supply Corps officers, and civilians are comptrollers at activities originally assigned to the former and line aviators serve as comptrollers at Naval Air Stations.

This widely diversified assignment pattern is in complete accord with the policy of the Comptroller of the Navy which reads in part:

> a broad knowledge of the comptroller functions should be coupled with experience in, and knowledge of the operations carried on in a specific kind of naval program, such as shipbuilding, aircraft, etc. This may result properly in the ordering to duty of an aviator as comptroller in the Bureau of Aeronautics, a civil engineer as comptroller in the Bureau of Yards and Docks, a line officer as comptroller in the Bureau of Naval Personnel, an engineering officer as comptroller in the Bureau of Ships, an officer of the Supply Corps as comptroller of the Bureau of Supplies and Accounts. When an officer occupies the comptroller position, it is considered highly desirable that a civilian assistant be assigned . . .[4]

Assigning naval officers to fill the various comptroller

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[4] Ibid., par. 012201 - 3b (2).

type billets throughout the Navy has been difficult since the establishment of the first billet. After a determination was made regarding the desirable officer rank and technical background the problem was to find an officer with the necessary experience or training for the job. Today the situation remains substantially unchanged. Career management dictates a normal pattern of rotation for officers pursuing a successful career and, as a result, most officers must serve intermittently ashore and afloat.

A typical problem in assignment is that of assigning an officer to a comptroller billet at a Naval Air Station. The detail officer must search the records of all officers available for reassignment to shore duty, during the period that the incumbent would normally be relieved, to locate persons with either previous experience or postgraduate training in comptrollership. Since a present shortage exists in this specialty, the detail officer must staff some unfilled billets with officers with an undergraduate degree in business but no stated interest in the field of comptrollership.

Similar problems exist in filling comptroller positions in most bureaus and stations. The Bureau of Ships desires as its shipyard comptrollers, officers with postgraduate comptrollership training and a thorough schooling in both Bureau of Ships and shipyard management. The Bureau of Supplies and Accounts, in selecting officers for comptroller type billets, considers the undergraduate and graduate education and past experience of each officer.

Related to the problem of selection is a determination of the type person most suited to serve as a comptroller. One author has described this individual as a person with: (1) an orderly mind seeking causes and patterns of meaning in a mass of facts, (2) perspective to distinguish the important from the unimportant, (3) perspective to view the operation of each department in relation to the whole business, (4) an objective mind which can evaluate the various conflicting forces within the organization, (5) patience to build a foundation of facts and figures for each problem, (6) patience to persuade and indoctrinate rather than to order, (7) a personality facilitating meeting and working with people, and (8) a high degree of salesmanship to sell the tools of control to commanders and to operating personnel.[5]

In addition to these character traits a desirable, and sometimes mandatory prerequisite is specific technical and operational knowledge in a particular area of management such as shipbuilding or hospital administration. On the other hand, a vast majority of comptroller-type billets in the Navy require an extremely limited technical background.

Unfortunately, few persons can qualify to serve as a comptroller without specific preparations. The necessary experience can be gained only through formal education or on-the-job training or a combination of the two. Experience from on-the-job training can be gained from assignments in comptroller-

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[5] T. F. Bradshaw, Developing Men For Controllership (Cambridge: Harvard University Printing Office, 1950), p. 18.

type functions and when expediency dictates by actually serving as a comptroller and learning the job while doing it.

Formal education in comptrollership and specific comptroller functions are offered in two forms: (1) Navy indoctrination seminars and Navy Schools, and (2) postgraduate training at a civilian university. Both the Office of the Navy Comptroller and the Bureau of Weapons sponsor repetitive seminars during each year in the area of financial management. These seminars not only teach financial management and up-to-date techniques and requirements but also serve to foster fiscal responsibility. In addition to these sources of training both the Navy Supply Corps School and Naval School of Hospital Administration offer courses in specific fields of finance and accounting.

Postgraduate training at civilian universities is offered to a limited number of officers each year in the area of business administration at Harvard University, Stanford University, the University of Michigan, and George Washington University. The course of instruction at George Washington University was designed and established specifically to provide trained comptrollers for the Navy in light of passage of Public Law 216.

Generally, the course is objective in form, stressing a thorough groundwork in accounting, a knowledge of economic principles, extensive research and reading in the area of comptrollership and governmental budgeting, and constant attention to the problems of human relations, supplemented by subjective analyses in selected fields. More specifically, the

program of study covers:

Accounting, internal control, and audit
Financial management
Economics
Human relations
Marketing
Contract administration
Statistics
Business organization and management
Governmental budgeting
Comptrollership

Officers attending the twelve month course are selected on a competitive basis and represent the various categories of officers required for comptrollership.

The George Washington University program is considered the primary source of trained Navy Comptrollers and approximately 140 officer graduates are on active duty with the Navy today. Utilization in comptrollership of this group of trained officers has been about 47%. In other words, since graduation each officer has been assigned to duty involving financial management for about 47% of the months to date.

TABLE 1

PERCENTAGE UTILIZATION

OF NAVAL OFFICER GRADUATES

NAVY GRADUATE COMPTROLLERSHIP PROGRAM

GEORGE WASHINGTON UNIVERSITY

Present Rank	Utilization
CAPT	47%
CDR	45%
LCDR	47%
LT	100%

In terms of categories of officers another utilization pattern evolves. The use of officer graduates from the categories of unrestricted line, aviation, and civil engineering is restricted particularly in comparison with that of engineering duty, medical service corps, and supply corps officers.

TABLE 2

PERCENTAGE UTILIZATION

OF NAVAL OFFICER GRADUATES

NAVY GRADUATE COMPTROLLERSHIP PROGRAM

GEORGE WASHINGTON UNIVERSITY

Category	Present Rank	Utilization	Category Utilization
Line (Unrestricted)	CAPT	36%	
	CDR	41%	36%
	LCDR	0	
Line (Aviation)	CAPT	30%	
	CDR	35%	37%
	LCDR	60%	
Line (Engineering Duty)	CAPT	95%	
	CDR	67%	81%
Medical Service Corps	CDR	100%	
	LCDR	100%	100%
	LT	100%	
Supply Corps	CAPT	62%	
	CDR	59%	60%
	LCDR	35%	
	LT	100%	
Civil Engineers	CAPT	77%	
	CDR	16%	39%

From another viewpoint, utilization diminishes as the years since graduation increase.

TABLE 3

PERCENTAGE UTILIZATION

OF NAVAL OFFICER GRADUATES

NAVY GRADUATE COMPTROLLERSHIP PROGRAM

GEORGE WASHINGTON UNIVERSITY

Class	Utilization
1952	35%
1953	41%
1954	34%
1955	47%
1956	40%
1957	59%
1958	55%
1959	58%

To conclude this study of utilization of graduates, a survey of the class presently enrolled reveals that less than fifty percent of the Naval Officers graduating in June 1960 have been assigned duty in the field of comptrollership.

CHAPTER IV

COMPTROLLERSHIP FOR THE FUTURE

The preceding chapters have dealt with comptrollership in the past and the present. Since much work remains to be done in the field, this chapter will primarily be a series of suggestions for the future.

> There is nothing new in the comptroller objective; the Navy has been striving to improve the effectiveness of its operation for several generations. Naval Regulations specifically provide that each commanding officer shall be responsible for economy within his command. The newness lies only in the fact that the installation of Comptrollers in the military is a recognition for the need to organize the various tools of effective management into a complete package of staff service for the commanding officer. It has become increasingly obvious that there is a requirement within the military to organize its business activities along proven industrial management principles, where applicable.[1]

This statement, although made eight years ago, is as timely as if it were made today. During these eight years considerable progress has been made in complying with the intent of Public Law 216, however, comptrollership in the Navy has been only partially implemented. Many areas exist wherein relative simple changes could result in significant strengthening of Navy-wide financial management.

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[1] E. W. Clexton, Rear Admiral, U. S. N., Assistant Comptroller of the Navy, an address before the Shipyard Commanders Conference, Bureau of Ships, Navy Department, Washington, November 27, 1951.

The first of these areas is in the Office of the Comptroller of the Navy. The comptroller concept, as envisioned by the men who drafted Public Law 216, was closely tied to the Constitutional requirement for civilian control over the military forces. In spite of this concept the Navy has traditionally had a civilian comptroller in name only, with the exception of the period from 1954 to 1958 when the position of Assistant Secretary of the Navy for Financial Management existed.

Today the Under Secretary of the Navy is also the Navy Comptroller, a position in which one man is called upon to make staff recommendations and impartially pass judgment on them in his line capacity. In such an anomalous position the burden of actual staff work falls on the Deputy Comptroller. Here again one man's efforts are divided since the Deputy Comptroller is responsible not only to the Navy Comptroller but also to the Chief of Naval Operations. Unfortunately, divided efforts directly reduce the effectiveness of individuals and organizations.

A belated acceptance of the 1959 Report of the Committee on Organization of the Department of the Navy to designate an Assistant Secretary of the Navy (Financial Management) and abolish the position of Assistant Secretary of the Navy (Personnel and Reserve Forces) would considerably strengthen comptrollership throughout the Navy. Dilution of effort would be drastically reduced, certain budget assignments would no longer be divided among the assistant secretaries on a functional basis and the Deputy Comptroller could once again act as deputy. Close association between the Office of the Navy

Comptroller and the Office of the Chief of Naval Operations is an absolute essential to insure that operations and planning are related to available resources. The present method of obtaining this association by making the Deputy Comptroller responsible to two persons, however, is in direct contrast to the military concept of reporting to only one superior. Since loyalty cannot be divided, a liaison group should be established within the Office of the Chief of Naval Operations to work with the Navy Comptroller and the Deputy Comptroller's responsibilities directed solely to the Navy Comptroller.

The next area in which improvements might be made is comptrollership at the bureau and station level. Chapter II illustrated the fact that comptrollership is organized in many ways throughout the Navy. The Navy is not in a position to afford this luxury. The pattern of organization must be well established and rigid. It cannot be shaped in the image of an individual or individuals since naval officers serve for two or three years and then move on.

The Comptroller of the Navy requires that

> the Comptroller [of a bureau or field activity], under the authority of the head of the activity, must be delegated authority to formulate principles and policies and to prescribe procedures in the area of budget, accounting, fiscal, progress and statistical reporting and internal control throughout the activity of which he is Comptroller. He cannot in fact be considered a Comptroller without this authority.[2]

Functional charts for bureaus and field activities are provided by the Navy Comptroller (see Figures 2 and 3, Chapter II) and are considered mandatory, with the exception of accounting and

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[2]Navy Comptroller Standing Order No. 7 (Washington: Navy Department, March 3, 1954).

fiscal operations which "may be performed outside the comptroller's immediate organization."[3]

Regarding the staff position of the comptroller in an organization, Navy Comptroller Standing Order Number 7 states that

> the Comptroller of an activity is the principal assistant to the assigned head of that activity for financial management. As such, he receives his authority from and is responsible directly to the head of that activity.[4]

The Honorable W. J. McNeil, former Assistant Secretary of Defense and co-author of the comptrollership concepts of Public Law 216, stated

> . . . I consider comptrollership at all levels as encompassing the basic functions of budgeting, accounting and auditing as well as the related analysis functions with the comptroller having direct supervision thereof. It seems to me that this is not only essential to the attainment of the optimum benefits to management, but also obligatory under Title IV.[5]

An examination of comptroller organizations of the various bureaus and stations indicates that undesirable variations from the above concepts exist. The Comptrollers of the Bureau of Naval Personnel and the Bureau of Yards and Docks have line authority, apparently to equate their status in the overall organization. A similar situation persists at field

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[3]Navy Comptroller Manual (Washington: Navy Department, 1954), Vol. I, par. 012211, 2e (3) (b).

[4]Standing Order No. 7, op. cit.

[5]Memorandum from the Assistant Secretary of Defense to the Under Secretary of the Navy, Department of Defense, Washington, April 9, 1954.

activities of the Bureau of Yards and Docks. A comptroller serving the best interests of an organization needs no status symbol or line authority to bolster his position. Sound financial management is drawn naturally to the top executive echelons.

The Comptroller of the Bureau of Medicine and Surgery reports to an Assistant Chief rather than the Chief of the Bureau. By weakening the link between the Comptroller and the Chief of the Bureau, comptrollership has been relegated to a position which reduces its effectiveness and service. In addition to strengthening comptrollership within this Bureau, the position of Comptroller should be established at the various field activities and comptrollership functions concentrated within this office.

A major shortcoming in the organization of three bureaus' (Bureau of Naval Personnel, Bureau of Yards and Docks, and Bureau of Supplies and Accounts) field stations is the separation of the accounting and fiscal operation from comptrollership. This separation of compatible functions is sanctioned, however, by the Navy Comptroller in apparent concession to the Bureau of Supplies and Accounts, who considers fiscal services as a "complicated operational type function."[6] The fiscal function can certainly be complicated at times but it is never operational in the true sense of the word. The accounting and fiscal operation historically has been organized and oriented toward service; a service that is closely allied with budgetary matters, auditing, and internal control; a service best provided as one of a closely

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[6]Bureau of Supplies and Accounts Instruction 5450.55 (Washington: Navy Department, March 4, 1954), p. 2.

interwoven group. This is another independence that the Navy cannot afford.

Both the Bureau of Ships and the Bureau of Supplies and Accounts have well organized and effectively functioning Comptroller Offices. In contrast, the new Bureau of Naval Weapons, although organized to take advantage of a fully participating comptroller, has decimated effective financial management by assigning authority and responsibility for most elements of budgeting to a line operator. Budgeting has been merged with planning and the possibility now exists that today's dollars could be expended for the future, seriously handicapping present operations. From an overall consideration

> . . . the cost point of view is inadequately represented when decisions are made. The comptrollers, for instance, are excluded from a subject that is regarded as purely military and technical and beyond the purview of business management. Consequently the concept of economizing is inadequately represented in their preparation.[7]

Frederick C. Mosher, a long-time student of military comptrollership, has pointed out that "unquestionably, the most important operation of the military comptrollers' offices is budgeting."[8] A comptroller who is performing the accounting and fiscal functions, auditing, and internal review and analysis is in a position to perform integrated budgeting in an impartial manner and render a prime service to his organization. A line operator, by human nature, is influenced by pet projects and, in this particular bureau, by the desires of the additional line

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[7]Arthur Smithies, The Budgetary Process in the United States (New York: McGraw-Hill Book Co., 1955), p. 285.

[8]Frederick C. Mosher, Program Budgeting (Chicago: Public Administration Service, 1954), p. 228.

operator imposed organizationally between the office performing the budget function and the Bureau Chief.

Although the Comptroller of the Bureau of Naval Weapons is assigned responsibility for an integrated financial management system[9] he has been denied the tools with which to do his job. The ineffectiveness of a comptroller operating within this limiting structure has apparently been recognized, since the present Comptroller is a Commander and all other military positions at this organizational level are staffed by Rear Admirals.

The Comptroller of the Navy has authority under Title IV of Public Law 216 to direct the type of comptrollership that will exist throughout the Navy. Although the Comptroller has provided guidance to all Navy bureaus, he has not chosen to exercise his full authority and impose strong control over these various organizational structures. Until such time as this is done, comptrollers must preach economy but often cannot practice it.

The third and final area in which effectiveness may be improved is that of selection, assignment, and training of comptrollers. At present, comptrollers and others in comptroller-type functions vary widely in background preparation, qualifications, category, and rank. In addition, the Comptroller of the Navy sanctions the prerequisite of specific technical knowledge for assignment to comptroller billets,[10] and certain rotational

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[9]Bureau of Naval Weapons Instruction 5200.2 (Washington: Navy Department, December 30, 1959), Enclosure (1), p. 1.

[10]Navy Comptroller Manual, op. cit., par. 012201-3b (2).

patterns are required for most categories of officers. As a result, the utilization rate of qualified comptrollers is substantially reduced.

A detailed study of the necessity for a specific technical background for assignment to a specific billet in comptrollership would undoubtedly reveal that more tradition than sound managerial insight is involved. An officer, qualified in the traditional elements of financial management can perform equally as well as an officer trained in these elements and certain technical operations for almost every existing position. No conceivable justification exists for the requirement that the comptroller of an Air Station be an aviator, the comptroller of a Naval Station be a line officer, or the comptroller of a Supply Depot be a Supply Corps officer.

In the past officers have served in comptrollership "on and off" while performing in their line or staff corps professions in alternating tours of duty. Every officer qualified to serve as a comptroller has another, and most often overriding, specialty. Aviators are trained to fly; line officers are trained to command ships; and engineering duty officers are trained to supervise the operation of a shipyard. In a similar manner, comptrollers should be trained to serve in comptrollership.

A specialty group of officers should be created for the exclusive performance of comptrollership functions in the Navy. This group should be recruited from all categories of naval officers who have served in various elements of the line and staff corps for at least ten years and who desire to enter this

field. Central guidance of the group would be exercised by the Comptroller of the Navy but individual officer allegiance would be solely to commanding officers. This allegiance should not be weakened by the formation of a corps or bureau. Formal educational efforts could be concentrated within this group and subspecialties such as budgeting or auditing could be developed.

The present organization for comptrollership is excessively expensive when viewed in terms of utilization of university-trained officers. As noted in Table 1 of Chapter 3, a utilization rate of 47% has been experienced in assignment of graduates of George Washington University. Considering the existing requirements for rotational and career patterns, this utilization is excellent but beyond sound economics. A striking waste is evidenced in the assignment of officers on graduation from postgraduate training to billets not associated with comptrollership. This formal education must be put to use immediately to complete the training process or a considerable portion of the entire program is lost.

The major problem of today's Navy is meeting world-wide operational commitments with a severe limitation of available funds. Effective financial management as exercised by effective comptrollership is the means of accomplishing this task. If comptrollership is to exist in the future as envisioned by the Congressional authority creating it, a reappraisal is in order. Comptrollership has been growing rapidly, with and without direction, but its many variations must be pulled together and directed toward a common goal.

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